

## DEBT SERVICE FUND

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Description: The Debt Service Fund is used to account for the payment of interest and principal as well as fees on general obligation debts for the governmental funds of the Village.

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### ***Fund Structure***

The Debt Service Fund is a governmental fund type which means the revenues, expenditures, transfers, and changes in fund balance are accounted for according to the modified accrual basis of accounting (*please see the Basis of Budgeting section on Pages 30-31 for a more thorough description of modified accrual accounting*). The Debt Service Fund only has the Fund Balance reserved for Debt Service. This balance is the total accumulated assets that can be used to pay future obligations of the Village.

### ***Minimum Fund Balances***

No minimum Fund Balance is set for the Debt Service Fund. The Fund collects Property Tax Revenue for the payment of General Obligation Bonds that have been authorized by referendum. The amount of Property Tax collected is set at the time the General Obligation Bonds are issued and is directly tied to the amount needed to cover the annual debt service payments related to the bonds. Therefore, there is no need to set a minimum Fund Balance as the Property Tax revenue should always offset expenditures in the Fund. Any accumulated assets are the result of the timing of property tax receipts versus debt payments and Investment Income earned by the Fund during its existence.

### ***Analysis of Revenues and Expenditures***

The 2005 Budget includes \$850,156 in estimated revenues for the Debt Service Fund, a decrease of \$699 from the 2004 revenue estimate of \$850,855. However, 2005 estimated revenues increase \$5,502 from 2004 projected actual revenues of \$844,654. The 2006 Budget includes \$842,254 in total revenues for the Fund, a decrease of \$7,902 (.93%) from the 2005 revenue estimate (*please see the Revenue Descriptions, Historical Trends, and Projections section on Pages 71-89 for more detailed analysis of various revenue sources*).

- Property Taxes increase \$5,002 (.60%) in 2005, from \$838,654 in 2004 (projected actual) to \$843,656. A decrease of \$7,902 (.93%) to \$835,754 occurs in 2006. The amount of Property Tax Revenue is determined by the total amount of principal and interest that must be paid annually on outstanding General Obligation Debt issues of the Village.
- Investment Income is expected to increase \$500 (8.33%) in 2005, from \$6,000 in 2004 (*projected actual*) to \$6,500 in 2005. In 2006, this revenue source is expected to remain stable at \$6,500. The 2005 increase is projected to occur because interest rates are expected to continue increasing thereby producing additional investment income from purchases of Federal Agency Bonds and Certificates of Deposit. In addition, the increase in interest rates will have a positive effect on the Village's return from its money market account (*the Illinois Funds Account managed by the State of Illinois Treasury*).

The 2005 Budget includes \$958,020 in budgeted expenditures for the Debt Service Fund, an increase of \$4,570 (.48%) from the 2004 Budget and projected actual of \$953,450. The 2006 Budget includes \$950,561 in total expenditures for the General Fund, a decrease of \$7,459 (.78%) from 2005 budgeted expenditures. The expenditures include principal, interest, and fiscal agent fees for two General Obligation Bonds (*General Obligation Bond Series 1998 and General Obligation Refunding Bond Series 1999*) and a Real Property Installment Contract (*dated October 1, 1997*). The bonds and the installment contract were issued in conjunction with the Village Facilities Program, which included the construction of the Public Safety Building and the Village Hall.

The Debt Service Fund Budget includes a transfer from the General Fund of \$114,364 in 2005 and \$114,807 in 2006. These transfers are the amounts needed to cover payments on the Real Property Installment

Contract which was established to purchase the Suburban Bank Property on Northwest Highway as part of the construction of the Public Safety Facility. The Village committed to transferring funds from the General Fund to pay this obligation rather than asking for a larger amount in the General Obligation Bond Referendum for the Public Safety Facility. The Real Property Installment Contract will be paid off in 2007.

***Changes in Fund Balances***

The Debt Service Fund Balance will increase \$6,500 (1.66%) in 2005 to a total of \$398,023 and increase a further \$6,500 (1.63%) in 2006 to a total of \$404,523.

**Debt Service Fund**  
**Summary of Revenues, Expenditures, Transfers, and Changes in Fund Balance**  
**Fiscal Year 2002 Actual through Fiscal Year 2006 Budget**

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
	<b><u>Actual</u></b>	<b><u>Actual</u></b>	<b><u>Amended</u></b>	<b><u>Projected</u></b>	<b><u>Approved</u></b>	<b><u>Approved</u></b>
			<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Budget</u></b>
<b>Beginning Total Fund Balance</b>	<b>\$ 497,414</b>	<b>\$ 503,318</b>	<b>\$ 375,522</b>	<b>\$ 386,623</b>	<b>\$ 391,523</b>	<b>\$ 398,023</b>
<i><b>Revenues</b></i>						
Property Taxes	742,239	714,793	833,605	838,654	843,656	835,754
Investment Income	12,930	6,676	17,250	6,000	6,500	6,500
<i><b>Total Revenues</b></i>	<i><b>755,169</b></i>	<i><b>721,469</b></i>	<i><b>850,855</b></i>	<i><b>844,654</b></i>	<i><b>850,156</b></i>	<i><b>842,254</b></i>
<i><b>Expenditures</b></i>						
Debt Service	964,941	962,065	953,450	953,450	958,020	950,561
<i><b>Total Expenditures</b></i>	<i><b>964,941</b></i>	<i><b>962,065</b></i>	<i><b>953,450</b></i>	<i><b>953,450</b></i>	<i><b>958,020</b></i>	<i><b>950,561</b></i>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over (Under) Expenditures</b>	<b>(209,772)</b>	<b>(240,596)</b>	<b>(102,595)</b>	<b>(108,796)</b>	<b>(107,864)</b>	<b>(108,307)</b>
<i><b>Transfers In/(Out)</b></i>						
General Fund	215,676	112,800	113,696	113,696	114,364	114,807
<i><b>Net Transfers</b></i>	<i><b>215,676</b></i>	<i><b>112,800</b></i>	<i><b>113,696</b></i>	<i><b>113,696</b></i>	<i><b>114,364</b></i>	<i><b>114,807</b></i>
<b>Net Change in Fund Balance</b>	<b>5,904</b>	<b>(127,796)</b>	<b>11,101</b>	<b>4,900</b>	<b>6,500</b>	<b>6,500</b>
<b>Ending Fund Balances</b>						
Reserved for Debt Service	503,318	375,522	386,623	391,523	398,023	404,523
<b>Total Ending Fund Balances</b>	<b>\$ 503,318</b>	<b>\$ 375,522</b>	<b>\$ 386,623</b>	<b>\$ 391,523</b>	<b>\$ 398,023</b>	<b>\$ 404,523</b>